



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE February 28, 2005

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Jones County Solid Waste Management Commission.

The Commission had total revenues of \$564,945 for the year ended June 30, 2004, a five percent decrease from the prior year. Revenues included gate fees of \$428,364 and County and City assessments of \$71,651.

Expenses totaled \$393,148 for the year ended June 30, 2004, a three percent increase over the prior year. Expenses included \$130,546 for employee salaries and benefits, \$28,055 for earth moving and \$40,382 in closure and postclosure care costs.

A copy of the audit report is available for review in the Office of Auditor of State and the Jones County Solid Waste Management Commission.

# # #

**JONES COUNTY SOLID WASTE MANAGEMENT COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2004**

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## Jones County Solid Waste Management Commission

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Stuart Ireland	Chair	City of Wyoming
George Zirkelbach	Vice-Chair	City of Olin
(Vacant)	Member	City of Monticello
Andy McKean	Member	Jones County
(Vacant)	Member	City of Center Junction
(Vacant)	Member	City of Martelle
(Vacant)	Member	City of Morley
(Vacant)	Member	City of Onslow
Russ Krejci	Member	City of Oxford Junction
John Fayrum	Member	Anamosa State Penitentiary
Jon Hatcher	Member	City of Anamosa
Diane Casper	Director	

**Jones County Solid Waste Management Commission**



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Independent Auditor's Report

To the Members of the Jones County  
Solid Waste Management Commission:

We have audited the accompanying financial statements of the Jones County Solid Waste Management Commission as of and for the year ended June 30, 2004, which collectively comprise the Commission's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jones County Solid Waste Management Commission at June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 8, during the year ended June 30, 2004, the Jones County Solid Waste Management Commission adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2004 on our consideration of the Jones County Solid Waste Management Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 7 through 11 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 6, 2004

**Jones County Solid Waste Management Commission**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Jones County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30 2004. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- ◆ The Commission's operating revenues decreased 0.7%, or \$3,723, from fiscal 2003 to fiscal 2004. County and City assessments increased and gate fees decreased.
- ◆ The Commission's operating expenses were 3%, or \$11,297, more in fiscal 2004 than in fiscal 2003.
- ◆ The Commission's net assets increased 9%, or \$171,797, from June 30, 2003 to June 30, 2004.

### USING THIS ANNUAL REPORT

The Jones County Solid Waste Management Commission is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Jones County Solid Waste Management Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## FINANCIAL ANALYSIS OF THE COMMISSION

### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal 2004 totaled \$2,142,356. This compares to \$1,970,559, as restated, for fiscal 2003. A summary of the Commission's net assets is presented below.

Net Assets		
	June 30,	
	2004	2003 (Restated)
<b>Assets</b>		
Current assets:		
Cash	\$ 107,152	142,460
Certificates of deposit	1,364,812	1,234,183
Receivables:		
Accounts	68,754	56,206
Interest	13,505	16,421
Total current assets	<u>1,554,223</u>	<u>1,449,270</u>
Noncurrent assets:		
Restricted cash	5,308	7,050
Restricted certificates of deposit	1,072,639	963,732
Capital assets (net of accumulated depreciation)	373,751	393,830
Total noncurrent assets	<u>1,451,698</u>	<u>1,364,612</u>
Total assets	<u>3,005,921</u>	<u>2,813,882</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 11,958	31,545
Compensated absences payable	2,700	3,252
Total current liabilities	<u>14,658</u>	<u>34,797</u>
Non-current liabilities:		
Estimated liability for landfill closure and postclosure care	848,907	808,525
Total liabilities	<u>863,565</u>	<u>843,322</u>
<b>Net assets</b>		
Invested in capital assets	373,751	393,830
Restricted for:		
Closure and postclosure care	223,732	155,207
Tonnage fees	5,308	7,050
Unrestricted	<u>1,539,565</u>	<u>1,414,472</u>
Total net assets	<u>\$ 2,142,356</u>	<u>1,970,559</u>

The largest portion of the Commission's net assets (72%) are the unrestricted net assets that can be used to meet the Commission's obligations as they come due. Restricted net assets are for closure and postclosure care (10%) and for tonnage fees. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (17%, e.g., land and equipment) are resources allocated to capital assets.

*Statement of Revenues, Expenses and Changes in Net Assets*

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues is for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2004 is presented below:

<u>Changes in Net Assets</u>		
	Year ended June 30,	
	2004	2003 Restated
Operating revenues:		
Assessments	\$ 71,651	52,088
Gate fees	428,364	448,304
East Central Iowa Council of Governments grant	-	8,440
Other operating revenues	7,265	2,171
Total operating revenues	<u>507,280</u>	<u>511,003</u>
Operating expenses:		
Salaries and benefits	130,546	113,025
Utilities	1,870	2,071
Tonnage fees remitted to Iowa Department of Natural Resources	17,162	17,480
Engineering services	13,498	16,175
Equipment maintenance and repair	29,598	27,996
Insurance	11,603	10,175
Auditing, consulting and legal	9,438	8,888
Road rock	11,361	6,621
Fuel	6,495	6,808
Tire disposal	12,213	12,919
Leachate hauling and treatment	13,633	18,416
Leachate control system	-	1,999
Depreciation	20,079	20,079
Earthmoving	28,055	36,056
Office supplies and operations	4,008	2,317
Travel and training	2,499	2,095
Household hazardous waste disposal	7,886	5,905
Recycling	18,539	14,732
White goods disposal	12,825	16,686
Miscellaneous	1,458	867
Closure and postclosure care	40,382	40,541
Total operating expenses	<u>393,148</u>	<u>381,851</u>
Operating income	114,132	129,152
Non-operating revenues:		
Interest income	57,665	81,553
Change in net assets	171,797	210,705
Net assets beginning of year	1,970,559	1,563,560
Accounting change and restatement	-	406,999
Net assets end of year	<u>\$2,142,356</u>	<u>1,970,559</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal 2004, operating revenues decreased by \$3,723, or 0.7%, primarily a result of gate fees decreasing by approximately \$19,940 due to a decrease in the volume of collections. Operating expenses increased by \$11,297, or 3%. The increase was primarily a result of an increase in salaries and benefits.

#### *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used by investing activities includes purchase of certificates of deposits and interest income.

### **CAPITAL ASSETS**

At June 30, 2004, the Commission had \$579,152 invested in capital assets and accumulated depreciation of \$205,401 on those assets. Depreciation charges totaled \$20,079 for fiscal 2004. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

### **LONG-TERM DEBT**

At June 30, 2004, the Commission had no long-term debt outstanding.

### **ECONOMIC FACTORS**

The Jones County Solid Waste Management Commission continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- ◆ Facilities at the Commission require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

## **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Jones County Solid Waste Management Commission, P.O. Box 235, Anamosa, Iowa, 52205.

**Jones County Solid Waste Management Commission**

## **Basic Financial Statements**

**Exhibit A**

## Jones County Solid Waste Management Commission

## Statement of Net Assets

June 30, 2004

**Assets**

## Current assets:

Cash	\$ 107,152
Certificates of deposit	1,364,812
Receivables:	
Accounts	68,754
Interest	13,505
Total current assets	<u>1,554,223</u>

## Noncurrent assets:

Restricted cash	5,308
Restricted certificates of deposit	1,072,639
Capital assets (net of accumulated depreciation)	373,751
Total noncurrent assets	<u>1,451,698</u>

**Total assets**3,005,921**Liabilities**

## Current liabilities:

Accounts payable	11,958
Compensated absences payable	2,700
Total current liabilities	<u>14,658</u>

## Non-current liabilities:

Estimated liability for landfill closure and postclosure care	<u>848,907</u>
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**Total liabilities**863,565**Net assets**

Invested in capital assets	
Restricted for:	373,751
Closure and postclosure care	223,732
Tonnage fees	5,308
Unrestricted	<u>1,539,565</u>
<b>Total net assets</b>	<u>\$ 2,142,356</u>

See notes to financial statements.

## Jones County Solid Waste Management Commission

Statement of Revenues, Expenses and  
Changes in Net Assets

Year ended June 30, 2004

Operating revenues:	
Assessments	\$ 71,651
Gate fees	428,364
Other operating revenues	<u>7,265</u>
Total operating revenues	<u>507,280</u>
Operating expenses:	
Salaries and benefits	130,546
Utilities	1,870
Tonnage fees remitted to Iowa Department of Natural Resources	17,162
Engineering services	13,498
Equipment maintenance and repair	29,598
Insurance	11,603
Auditing, consulting and legal	9,438
Road rock	11,361
Fuel	6,495
Tire disposal	12,213
Land	1,084
Leachate hauling and treatment	13,633
Depreciation	20,079
Earthmoving	28,055
Office supplies and operations	4,008
Travel and training	2,499
Household hazardous waste disposal	7,886
Recycling	18,539
White goods disposal	12,825
Miscellaneous	374
Closure and postclosure care	<u>40,382</u>
Total operating expenses	<u>393,148</u>
Operating income	114,132
Non-operating revenues:	
Interest income	<u>57,665</u>
Change in net assets	171,797
Net assets beginning of year, as restated (note 8)	<u>1,970,559</u>
Net assets end of year	<u>\$ 2,142,356</u>

See notes to financial statements.

## Jones County Solid Waste Management Commission

## Statement of Cash Flows

Year ended June 30, 2004

Cash flows from operating activities:	
Cash received from assessments	\$ 65,587
Cash received from gate fees	421,880
Cash paid to suppliers for goods and services	(229,229)
Cash paid to employees for services	(123,597)
Other operating receipts	7,265
Net cash provided by operating activities	<u>141,906</u>
Cash flows from investing activities:	
Purchase of certificates of deposit	(230,152)
Interest received	60,581
Net cash used for investment activities	<u>(169,571)</u>
Net decrease in cash and cash equivalents	(27,665)
Cash and cash equivalents beginning of year	<u>253,883</u>
Cash and cash equivalents end of year	<u>\$ 226,218</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	<u>\$ 114,132</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	20,079
Closure and postclosure care	40,382
Changes in assets and liabilities:	
(Increase) in accounts receivable	(12,548)
(Decrease) in accounts payable	(19,587)
(Decrease) in compensated absences payable	(552)
Total adjustments	<u>27,774</u>
Net cash provided by operating activities	<u>\$ 141,906</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:</b>	
Current assets:	
Cash	\$ 107,152
Certificates of deposit	1,364,812
Restricted assets:	
Cash	5,308
Certificates of deposit	<u>1,072,639</u>
	2,549,911
Less items not meeting the definition of cash equivalent:	
Certificates of deposit	<u>(2,323,693)</u>
Cash and cash equivalents end of year	<u>\$ 226,218</u>

See notes to financial statements.

Jones County Solid Waste Management Commission

Notes to Financial Statements

June 30, 2004

**(1) Summary of Significant Accounting Policies**

The Jones County Solid Waste Management Commission was formed in 1972 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate and maintain solid waste facilities in Jones County for use by all residents of the County.

The governing body of the Commission is composed of one representative from each of the nine member cities, the Anamosa State Penitentiary and Jones County. The member cities are Anamosa, Center Junction, Olin, Oxford Junction, Martelle, Monticello, Morley, Onslow and Wyoming. The Commissioners are appointed by the participating political subdivisions and each member has one vote for each one thousand population, or fraction thereof, residing in the governmental jurisdiction represented.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Jones County Solid Waste Management Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Jones County Solid Waste Management Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

#### D. Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and Cash Equivalents – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2004 include certificates of deposit of \$2,323,693.

Restricted Investments – Funds set aside for payment of closure and postclosure care are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 25,000
Equipment	5,000

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Equipment	3-20

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2004.

**(2) Cash and Investments**

The Commission's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**(3) Pension and Retirement Benefits**

The Commission contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$5,136, \$4,385 and \$3,750, respectively, equal to the required contributions for each year.

**(4) Capital Assets**

A summary of capital assets at June 30, 2004 is as follows:

	Balance Beginning of Year (as restated, note 9)	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 195,000	-	-	195,000
Capital assets being depreciated:				
Equipment	384,152	-	-	384,152
Less accumulated depreciation for:				
Equipment	185,322	20,079	-	205,401
Total capital assets being depreciated, net	198,830	(20,079)	-	178,751
Total capital assets, net	\$ 393,830	(20,079)	-	373,751

**(5) Closure and Postclosure Care Costs**

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Jones County Solid Waste Management Commission have been estimated at \$148,511 for closure and \$1,157,500 for postclosure, for a total of \$1,306,011 as of June 30, 2004, and the portion of the liability that has been recognized is \$848,907. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2004. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 10½ years and the capacity used at June 30, 2004 is 51 percent.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2004, assets of \$1,072,639 are restricted for these purposes. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund mechanism.

Chapter 567-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and post closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

**(6) Solid Waste Tonnage Fees Retained**

The Commission has established two accounts for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2004, the unspent amounts retained by the Commission and restricted for the required purposes totaled \$5,308.

**(7) Risk Management**

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

**(8) Accounting Change and Restatements**

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures were implemented during the year ended June 30, 2004.

Beginning net assets has been restated to include capital assets, interest receivable and compensated absences payable at July 1, 2003 resulting from the accounting change, as follows:

Net assets June 30, 2003, as previously reported	<u>\$ 1,563,560</u>
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$185,322	393,830
Interest receivable	16,421
Compensated absences payable	<u>(3,252)</u>
Total adjustments	<u>406,999</u>
Net assets July 1, 2003, as restated	<u>\$ 1,970,559</u>

**Independent Auditor's Report on Compliance and on  
Internal Control over Financial Reporting**

**Jones County Solid Waste Management Commission**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Members of the Jones  
Solid Waste Management Commission:

We have audited the financial statements of the Jones County Solid Waste Management Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated December 6, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jones County Solid Waste Management Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (2) and (5).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jones County Solid Waste Management Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Jones County Solid Waste Management Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for item (A).

This report, a public record by law, is intended solely for the information and use of the members and customers of the Jones County Solid Waste Management Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Jones County Solid Waste Management Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 6, 2004

Jones County Solid Waste Management Commission

Schedule of Findings

Year ended June 30, 2004

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties – During our review of the internal control activities, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Commission's financial statements. Generally, one individual has control over receipts, including account billing, collecting, depositing, posting and reconciling, and bank reconciliations without compensating controls.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will review our operating procedures to provide more checks and balances in our internal control.

Conclusion – Response accepted.

- (B) Gate Receipts – The landfill gate receipts are pre-numbered. However, they are not accounted for and reconciled to the bank deposit.

Recommendation – An employee who does not receive cash at the landfill should account for the daily receipts and reconcile receipts to the deposit to ensure all collections were deposited.

Response – The Commission will have another employee, who does not do cash receipts at the landfill, reconcile receipts to the deposit to ensure all receipts were deposited.

Conclusion – Response accepted.

Jones County Solid Waste Management Commission

Schedule of Findings

Year ended June 30, 2004

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Questionable Disbursements – Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Stuart Ireland	Christmas bonus	\$250
Diane Casper	Christmas bonus	100
Leonard Brokens	Christmas bonus	100
Kent Edwards	Christmas bonus	100
Gene Cook	Christmas bonus	100

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Commission should determine and document in the minute record the specific public purpose served by each of these disbursements before authorizing any further payments. If this practice is continued, the Commission should establish written policies and procedures, including the requirements for proper documentation surrounding each individual transaction.

Response – We will document in the meeting minutes the public purpose served by these disbursements before authorizing any further payments.

Conclusion – Response accepted.

- (3) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (4) Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.

Jones County Solid Waste Management Commission

Schedule of Findings

Year ended June 30, 2004

- (5) Deposits and Investments – The interest rate on one time certificate of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.

Recommendation – Public funds time certificates of deposit, when renewed, shall be renewed at a rate of interest which conforms with current rates for public funds on the date of renewal. The Commission should seek reimbursement of the additional interest due on this certificate of deposit. In addition, the Commission should be aware of the current allowable rates to insure at least the minimum allowable rate is received for all investments.

Response – We will seek reimbursement of the additional interest due. We will review our records to be sure we are getting at least the minimum rates for all investments.

Conclusion – Response accepted.

- (6) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2004, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (7) Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 1,306,011
Less: Balance of funds held in the local dedicated fund at June 30, 2003	<u>(963,732)</u>
	342,279
Divided by the number of years remaining in the pay-in-period	÷ <u>4</u>
Required payment into the local dedicated fund at June 30, 2004	85,570
Balance of funds held in the local dedicated fund at June 30, 2003	<u>963,732</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2004	<u>\$ 1,049,302</u>
Amount Commission has restricted for closure and postclosure care at June 30, 2004	<u>\$ 1,072,639</u>

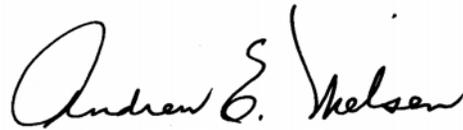
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Jones County Solid Waste Management Commission

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Heather L. Templeton, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State